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SA103L(Notes)

Completing the Lloyd's Underwriters Pages

To complete the Lloyd's Pages of the 2000-2001 Tax Return, you will need form CTA(1997) (syndicate results for the 1997 account) and form CTA 2(2000) (the non-syndicate MSU Taxation Advice for 2000-2001). To help you to complete the Lloyd's Pages, MSU has cross referenced each entry in the Taxation Advices to the relevant box numbers of the Lloyd's Pages.

These pages ask for details of the income, expenditure and losses connected with membership of Lloyd's that together make up the trading profits or losses of 2000-2001.

Capital gains

Capital gains arising on disposal of syndicate capacity and sale of assets in personal funds do not form part of your Lloyd's trading profits so are not asked for in the Lloyd's Pages of the Return. They should be included on the Capital Gains Pages of the 2000-2001 Tax Return. Some guidance on points connected with these disposals can be found in the section headed 'Capital Gains Tax' on page LUN13.

Who should complete these Pages?

You should fill in these Pages if you are or were an underwriting member of Lloyd's (or Name) and your deposit was not repaid by 31 December 1999.

No deposit

If you are a former underwriting member and for whatever reason, there is no deposit to repay, please contact LUU for advice on whether you need to complete the Lloyd's Pages of this Return.

Structure of Pages

The Lloyd's Pages are divided into a number of parts.

Income from ancillary or personal funds at Lloyd's

This asks for details of income from the various assets that are held in your personal (or ancillary) funds at Lloyd's. These include your deposit at Lloyd's and any other fund required or authorised by the rules of Lloyd's, or required by the members' agent but do not include syndicate Premiums Trust Funds and Special Reserve Funds.

Other Lloyd's receipts

This covers income, other than personal fund income, that arises to you from membership of Lloyd's, including aggregate syndicate profits.

Outgoings and syndicate losses

This asks for details of Lloyd's expenditure paid out by you personally, excluding any recharged through syndicates (such as annual contributions to the Central Fund) and syndicate losses.

Lloyd's foreign tax

This asks for details of all the foreign tax paid on your Lloyd's income for which double tax relief may be due.

Summary of net trading profits/allowable losses

This section brings together the elements that make up trading profits/losses from membership of Lloyd's to work out the taxable profit or allowable loss from this source for 2000-2001 Class 4 National Insurance contributions.

Income from ancillary or personal funds at Lloyd's

Income from personal funds at Lloyd's forms part of the trading profits from membership of Lloyd's. It should be entered on the Lloyd's Pages and not included anywhere else in your Tax Return.

In general, the income is included in Lloyd's profits of the tax year corresponding[1] with the calendar year you receive it. So the income from funds at Lloyd's received in 2000 is included in your Lloyd's profits for 2000-2001.

The information asked for in the Lloyd's Underwriters Pages relates only to income arising on assets held as part of your personal funds at Lloyd's. Please note that income from your Lloyd's Deposit and Reserve income is **not** included on your MSU non-syndicate taxation advice (but is on the CTA 2(2000)). Income arising on assets that are held by you personally should be entered on the pages of your Tax Return that deal with the type of income concerned.

UK interest

boxes 3L.1 to 3L.5

- Interest from UK banks, building societies and deposit takers paid gross/net of tax

- National Savings

This can be paid before tax has been deducted, 'gross', or with tax deducted, 'net'. Your bank, building society, deposit taker or members' agent can give you a detailed statement. If the interest was paid gross, you do not need to complete the 'Amount after tax deducted' and 'Tax deducted' columns.

Include the totals for the year ended 31 December 2000 in boxes 3L.1 to 3L.5.

boxes 3L.6 to 3L.11

- Interest distributions from UK authorised unit trusts and open-ended investment companies

- Other income from UK savings and investments

This includes interest distributions from companies and UK authorised unit trusts and OEICs, interest on government stocks (gilts), interest on other loan stocks and loans to companies. The information needed to complete the boxes on the return should be shown on your tax vouchers - ask the unit trust manager, company or the Lloyd's Members Funds Department in Chatham if you do not have any.

Enter the totals for the year ended 31 December 2000 in boxes 3L.6 to 3L.11.

Do not enter here any amount shown on your tax voucher as 'equalisation'. This amount, if shown, is not subject to tax. In calculating your capital gains, the amount of equalisation is a repayment of capital paid to you and should be deducted from the cost of the units or shares purchased during the year.

Do not include dividend distributions or annual payments from UK trusts in these boxes. Dividends should be entered in boxes 3L.18 to 3L.37.

[1] A tax year corresponds with the calendar year which ends in it, that is, tax year 2000-2001 corresponds with the calendar (or underwriting) year 2000.

Non-residents and FOTRA securities

There is no exemption from tax on the interest arising on FOTRA (free of tax to residents abroad) gilts that are held as part of a non-resident Name's personal funds at Lloyd's. This is because the income arising on gilts is included in your trading results.

- Relevant discounted securities

box 3L.11 Relevant discounted securities have replaced those types of securities previously termed 'deep discount bonds' and 'deep gain securities'. Broadly these are securities where the investor's return is mainly made up of a discount or premium payable on redemption of the bond rather than by interest payable over the life of the bond. The discount or premium is the difference between the price at which the bond was issued and the amount payable on redemption.

The discount or premium must be capable of being more than:

- 15% of the redemption price, or if smaller
- 0.5% of the redemption price for each year of the bond's life (for example, in the case of a ten year bond any discount of 5% or more would mean that it is a relevant discounted bond).

A security with an uncertain yield (for example, linked to the Retail Prices Index) will normally be a relevant discounted security. A security **fully** linked to the value of assets which would be chargeable assets under Capital Gains Tax rules (for example, a security whose yield is fully linked to the FTSE index, and gives no guaranteed minimum return on your investment) will not normally be a relevant discounted security. If you hold a relevant discounted security you will generally be chargeable to tax only when you dispose of the security in any way or it is redeemed. At that time, the difference between the amount you paid for the security and the amount you received when you sold or redeemed it will be included in your Lloyd's trading results. Income Tax is not deducted from the payment, so the gross amount received in calendar year 2000 should be included in box 3L.11 with nothing included in box 3L.10.

Losses on disposal of relevant discounted securities

Should the actual disposal of any relevant discounted security result in a loss, that loss should be included in box 3L.15 along with any negative Accrued Income Scheme amounts.

Gilt strips

If any of your funds at Lloyd's have been invested in gilt strips, consult your Inland Revenue office or LUU for advice on how this may affect your Tax Return.

Building society mergers and conversions

If any of your funds at Lloyd's are held in a building society that has been involved in a merger, conversion into a limited company or take-over by a limited company, you or Lloyd's as trustees may have received cash and/or shares, and there may be a liability to either Income Tax or Capital Gains Tax. The building society may be able to tell you whether there is any tax liability. If not, you should ask your Inland Revenue office or tax adviser.

Cash payments

Payments which are liable to Capital Gains Tax[2] should be added to your other chargeable gains for the year. If the total gains exceed £7,200, or the total proceeds exceed £14,400, fill in the Capital Gains Pages, available from the Orderline.

To the extent that cash payments relate to deposits held as part of your funds at Lloyd's, those payments that are liable to Income Tax[3] should be included in boxes 3L.2 to 3L.4.

Shares

If you have received shares following a building society take-over or conversion, you may need to supply details when you dispose of the shares. Ask your Inland Revenue office for details.

- Total UK interest before accrued income share

boxes 3L.12 and 3L.13 Add the figures in boxes 3L.3, 3L.5B, 3L.7 and 3L.10 and put the result in box 3L.12.

Add the figures in boxes 3L.1, 3L.4, 3L.5, 3L.8 and 3L.11 and put the result in box 3L.13.

- Accrued Income Scheme

boxes 3L.14 to 3L.16

Nominal value less than £5,000

Under the Accrued Income Scheme, no charge arises and no allowance is due for 2000-2001 if the total nominal value of all accrued income securities held at any time in 2000-2001 or 1999-2000 did not exceed £5,000. If the **aggregate** of the nominal values of all such securities held by you both as part of your personal and premiums trust funds at Lloyd's and as part of your personal non-Lloyd's investments, is less than £5,000 in the relevant periods, then no charge arises and no allowance is due and no entry is needed in box 3L.16 of the Lloyd's Pages.

'Accrued income securities' includes all interest bearing securities, including shares in a building society, but does not include shares in a company, national savings certificates and war certificates.

For purchases and sales of such securities, held as part of personal funds at Lloyd's, include in boxes 3L.14 and 3L.15 the amount that would be computed, either as an allowance or a charge, for those securities under the rules of the Accrued Income Scheme for the appropriate period. This period is the calendar year to 31 December 2000.

Non-UK residents

Please note that although the *computational* rules of the Accrued Income Scheme are used to work out the amounts of income or expense that arise when you purchase or sell such securities, the resulting amount is included in trading results for resident and non-resident Names alike - the only exceptions for non-residents are for non-UK securities and FOTRAs.

Calculation of allowance or charge

If, following purchase or sale of such a security between 1 January and 31 December 2000, the next payment of interest following the date of transfer of that security would fall between 1 January and 31 December 2000 inclusive, a charge would arise if that security was purchased ex-dividend or sold cum-dividend. In these circumstances your entry should be in box 3L.14 (positive). If that security was purchased cum-dividend or sold ex-dividend, then an allowance would be due, and the entry should be in box 3L.15 (negative).

If you hold such securities both as part of your personal funds at Lloyd's and as part of your personal non-Lloyd's investments, you need not take into account the amount entered in boxes 3L.14 and 3L.15 in returning the charge or allowance for 2000-2001 on the main part of your 2001 Tax Return.

[2] Cash payments liable to Capital Gains Tax are generally those received following take-over of a building society, or conversion to a limited company.

[3] Cash payments liable to Income Tax are generally those received following a building society merger.

Tax credits

You need to include on the Lloyd's Pages all dividends, other distributions and tax credits received in calendar year 2000.

UK dividends and other distributions

boxes 3L.18 to 3L.25 The Lloyd's Pages ask only for the total figures. Add up all the dividends from UK companies whose shares are held as part of your personal funds at Lloyd's. Remember to include dividends received in 2000. The figures can be found on the vouchers sent by companies and UK authorised unit trusts. Do not send the vouchers with your Tax Return but do keep them and other records of the dividends and distributions you receive in the year in case they are asked for later.

Dividends

Your dividend voucher shows the amount of the dividend and the tax credit. Add these together to work out the 'dividend/distribution plus tax credit'.

Do not include stock dividends here - enter these in boxes 3L.26 to 3L.28.

Other qualifying distributions

A company makes a distribution when it passes value to a shareholder, for example:

- by selling an asset to a shareholder at under value, **or**
- by paying interest at more than a commercial rate on a loan from a shareholder.

Non-qualifying distributions are defined in the next column and should be returned in boxes 3L.36 and 3L.37. Other distributions are 'qualifying'.

Qualifying distributions carry a tax credit.

Include the amounts in the totals in boxes 3L.18 to 3L.20. Please give details in the 'Additional information' box on Page LU4 explaining the circumstances in which the distribution arose.

Dividend distribution from UK authorised unit trusts and OEICs

Your dividend voucher shows the amount of the dividend and tax credit. Add these together to work out the 'dividend/distribution plus tax credit'.

If you do not have a dividend voucher, ask your unit trust manager or open-ended investment company manager or the Lloyd's Members' Funds Department in Chatham for one.

If you have accumulation units or shares the dividend is automatically reinvested in the unit trust or open-ended investment company. You must still show the amount of the dividend, tax credit and dividend/distribution plus tax credit.

Do not enter here any amount shown on your dividend voucher as 'equalisation'. This amount, if shown, is not subject to tax. In calculating your capital gains the amount of equalisation is a repayment to you of the capital paid and should be deducted from the cost of the units or shares purchased during the year.

- Total dividends/distributions plus credit

boxes 3L.24 and 3L.25 Add the figures in boxes 3L.19 and 3L.22 and enter the result in box 3L.24.

Add the figures in boxes 3L.20 and 3L.23 and enter the result in box 3L.25.

- Stock (or scrip) dividends

boxes 3L.26 to 3L.28 If you took up an offer of shares in place of a cash dividend in 2000, this is a 'stock' or 'scrip' dividend. Your dividend statement should have 'the appropriate amount in cash' on it - this is the amount you should enter in the dividend box. If the company did not give you this information, please ask LUU for advice.

- Non-qualifying distributions

boxes 3L.36 and 3L.37

Non-qualifying distributions

A non-qualifying distribution is:

- a bonus issue by a company of securities or redeemable shares (except a bonus issue giving rise to a qualifying distribution), **or**
- the paying on of such a bonus issue by a company which has itself received it.

If you receive such a bonus issue of securities or redeemable shares, the amount of the distribution is:

- for redeemable shares, their nominal value plus any premium paid
- for securities, the amount of the principal secured plus any premium payable

minus any new consideration given for that issue.

If you pay tax at the starting, or basic, rate there is no tax to pay on the distribution.

If you pay tax at the higher rate an amount of starting rate tax is treated as already paid by you and is set against your tax bill.

Include in box 3L.37 the amount of the distribution received. Divide that amount by 10 to arrive at the tax treated as paid and enter that amount in box 3L.36.

- Total dividends plus notional Income Tax

boxes 3L.38 and 3L.39 Add the figures in boxes 3L.27 and 3L.36 and enter the result in box 3L.38.

Add the figures in boxes 3L.28 and 3L.37 and enter the result in box 3L.39.

Gains on life insurance policies, life annuities and capital redemption policies

These types of policies and life annuities may be held as part of your funds at Lloyd's but the tax treatment of any gain on them depends on how the policy or life annuity is used to back your underwriting. If the insurance company has provided a guarantee to Lloyd's secured on your policy or life annuity, the gains do not form part of your Lloyd's trading income. They should be entered on the 'chargeable event' section of the Tax Return (for example, boxes 12.1 to 12.5). If, however, the Trust Deed governing your Lloyd's deposit includes the policy or life annuity itself, the gains are part of trading profits from membership of Lloyd's. Enter the gains arising in 2000 in box 3L.58 and do **not** include them in the chargeable event gains section of the Tax Return.

Note: where such gains are included in trading profits they are not treated as having been taxed and Top Slicing Relief is not available. So there is no tax treated as paid to offset against tax due on the gain.

Foreign source income from assets in personal funds at Lloyd's

boxes 3L.40 to 3L.54 Include here any interest or other income received in 2000 from non-UK assets in your personal funds at Lloyd's. Depending on the nature of the income, it may be paid without foreign tax being withheld (gross), or after foreign tax has been withheld (net). Fill in all the relevant boxes if foreign and/or UK tax has been withheld or deducted from the income. If you are claiming relief for foreign tax by way of credit against UK tax on your Lloyd's income, please read the paragraphs on Foreign Tax at page LUN11 on how to complete the Foreign Pages of the Tax Return.

- Non-UK interest

boxes 3L.40 to 3L.43 In these boxes enter the amount of interest you received in 2000 from foreign bank accounts or loans to other organisations outside the UK. If the payer has deducted foreign withholding tax and accounted for that tax to the overseas authority on your behalf, this will normally be shown on a certificate of tax paid.

Enter in box 3L.43 the total of the amounts in boxes 3L.40 to 3L.42.

- Other foreign source income

boxes 3L.44 to 3L. 47 Enter in these boxes any income that you received in 2000 from other investments or other income from assets that form part of your personal funds at Lloyd's.

- Dividends from overseas sources

boxes 3L.48 to 3L.51 Do not include, for example, distributions in the course of liquidation, return of capital, stock dividend or bonus shares on scrip issues. The information needed to complete these boxes will be shown either on your dividend voucher, or, if the dividends are paid through a paying agent in the UK, on the certificate of deduction of tax which the agent or banker provides.

Enter in box 3L.51, the total amount in boxes 3L.48 to 3L.50.

- Total UK and foreign tax deducted

boxes 3L.52 and 3L.53 Add the figures in boxes 3L.41, 3L.45 and 3L.49 and put the total in box 3L.52. Copy this amount to box 3L.73 in the foreign tax section.

Add the figures in boxes 3L.42 and 3L.46, and put the total in box 3L.53. Do not include box 3L.50 in box 3L.53.

- Total non-UK income before tax

box 3L.54 Add the figures in boxes 3L.43, 3L.47 and 3L.51 and put the total in box 3L.54.

- Total income from personal funds at Lloyd's

box 3L.55 Use the Working Sheet below to add up figures in boxes 3L.17, 3L.25, 3L.39 and 3L.54. Copy the total to box 3L.55.

Remember, for 2000-2001, the income to return is that received in the calendar year to 31 December 2000.

Working Sheet

Total UK interest	3L.17	£
+		
total dividend/distribution plus tax credit	3L.25	£
+		
total dividends plus notional tax	3L.39	£
+		
total non-UK income before tax	3L.54	£
=		
total income from personal funds at Lloyd's	3L.55	£

Other Lloyd's receipts

Non-syndicate income is, in general, included in your Lloyd's profits or losses for the tax year that corresponds with the calendar year in which you receive it. Thus your 2000-2001 Lloyd's taxable profit includes non-syndicate income received in calendar year 2000. In boxes 3L.57 and 3L.58 enter any other income received personally during 2000 as a result of membership of Lloyd's, irrespective of the Lloyd's account that gave rise to the income. Include here details of any compensation received as a result of any legal action arising out of your membership of Lloyd's (other than recoveries under stop loss policies - see section headed Personal Stop Loss on page LUN10).

Boxes 3L.58A to 3L.58D ask for details of income arising directly from participation in syndicates that declared results in 2000, associated syndicate foreign tax and withdrawals from SRFs. Under the declaration year basis, the syndicate results covered by this return are the syndicate results for the 1997 account and run-offs to 31 December 1999.

Receipts

- Refunds of Members Special Contributions

box 3L.56 Names who participated in the 1993, 1994 or 1995 accounts should include the refunds of contributions made towards funding the Reconstruction and Renewal plan in box 3L.56.

- Compensation receipts

box 3L.57 Compensation arising from membership of Lloyd's is trading income of the tax year corresponding to the calendar year in which it was received: for example, compensation payments received in 2000 are taxable income of 2000-2001. Compensation covers amounts awarded as damages as a result of Court action, recoveries of legal costs arising from litigation in connection with membership of Lloyd's and any sums paid in out of Court settlements.

- Other Lloyd's non-syndicate income

box 3L.58 Enter here the total of any other Lloyd's non-syndicate income not already shown in box 3L.57. Describe the amounts shown in the 'Additional information' box on Page LU4.

Late notified stop loss recoveries

If you have received any stop loss recoveries for the 1996 account and run-offs to 31 December 1998 or prior years and have not yet notified LUU that they are due, please include the amounts received in 'other income' (box 3L.58) and give details of the years, recoveries and losses involved in the 'Additional information' box on Page LU4.

- Aggregate tax adjusted syndicate results

boxes 3L.58A and 3L.63 If the entry on your CTA 1(1997) (described as total Case I profit or loss) is:

- **profit**: - enter the amount shown in box 3L.58A and '0' in box 3L.63
- **loss**: - enter '0' in box 3L.58A and enter the amount shown on the CTA 1 in box 3L.63.

As from the 1994 account, syndicate results are taxable by reference to the year the results are declared, for example, the 1997 account results are taxable in 2000-2001 (declaration year basis).

- Syndicate foreign tax

box 3L.58B Enter in box 3L.58B the amount of syndicate foreign tax shown on your CTA 1(1997). Copy this figure to box 3L.76.

- Withdrawals from Special Reserve Fund

box 3L.58C Enter in box 3L.58C net withdrawals from a SRF as shown on your CTA 1(1997). Enter net transfers **to** a SRF at box 3L.68A. If 2000-2001 is your final year for tax purposes, enter here any sums which were paid to you from your SRF. The figure to enter in the box should be calculated as follows:

- the value of the fund at 31 December before it was returned to you
- **plus** any sums which were transferred into the SRF between 31 December and the date when it was returned to you
- **plus** any sums which were transferred to you from the fund in earlier years and not taxed in earlier years
- **plus** any investment income which arose in the SRF during the period between 31 December and the date when it was returned to you
- **plus** any gains (or minus any losses) which were realised in the SRF on disposals of assets between 31 December and the date it was returned to you.

Lloyd's will be able to provide you with the information needed to fill in this box.

If you are completing this Return in the capacity of a personal representative of a deceased underwriter who died in 2001 and held assets in a SRF at death, any eventual release will be assessable in 2000-2001. Any interest arising from tax on this release will however be chargeable from a later date, as though the release from the SRF had been made immediately after the end of the final year of assessment. You may wish to contact LUU for further guidance.

- Stop loss recoveries

box 3L.58D Enter in box 3L.58D the total of all personal stop loss (PSL) recoveries due in respect of losses of the 1997 account and run-offs to 31 December 1999.

- Repayments of foreign tax previously allowed by deduction

box 3L.58E Include here the sterling value of any repayments of foreign tax received in 1999 for which relief has been allowed in an earlier year by deduction from Lloyd's profits or losses. This is described as US and Canadian federal tax on your CTA 1(1997). The exchange rate used is the same rate that was used to calculate the amount of double tax relief given for the foreign tax in the earlier year. This may result in a different sterling amount from that actually received in the later year.

For foreign tax repayments where relief was given as tax credit relief, see box 3L.79.

- Total other Lloyd's receipts

box 3L.59 Add the figures in boxes 3L.56, 3L.57, 3L.58, 3L.58A, 3L.58B, 3L.58C, 3L.58D and 3L.58E and put the total in box 3L.59.

- Total Lloyd's incomings

box 3L.60 Add the figures in boxes 3L.55 and 3L.59 and put the total in box 3L.60.

Outgoings and syndicate losses

Non-syndicate expenditure and syndicate losses

Non-syndicate expenditure is, in general, included in your Lloyd's profits or losses for the tax year that corresponds with the calendar year in which it is paid. Thus your 2000-2001 Lloyd's taxable profit includes non-syndicate expenditure paid in calendar year 2000. Please note that personal expenses met on your behalf by syndicate managing agents (such as annual contributions to the Central Fund) are treated as syndicate expenses for tax purposes. Your tax adjusted syndicate results have already taken into account this type of expenditure and it should not be entered separately here.

- Stop loss premiums

box 3L.61 Enter the sums paid in the calendar year at box 3L.61, regardless of the account or accounts covered by the policy for which the premium is paid.

- Bank guarantees/letter of credit fees

box 3L.62 Enter in box 3L.62 the amount of annual renewal fees paid in 2000.

The initial cost of setting up these arrangements is not allowed as a trading deduction, because it is a capital expense, regardless of the underwriting account to which the deposit relates.

- Aggregate syndicate losses

box 3L.63 If the amount shown as total Case I profit or loss on your CTA 1(1997) is a loss enter it at box 3L.63. If it is a profit, enter it in box 3L.58A and '0' in box 3L.63. Under the declaration year basis that applies for the 1994 account and later years, the results included in this Return are those declared in 2000, syndicate results for the 1997 account and run-off results to 31 December 1999.

- Lloyd's members association expenses

box 3L.64 Subscriptions to certain associations of Lloyd's members, such as the Association of Lloyd's Members, are allowed as deductions. LUU or the organiser of any association to which you belong can tell you to what extent, if any, your subscription and related expenses are allowable.

Enter in box 3L.64 amounts paid in 2000.

- Personal Quota Share premiums

box 3L.66 Provided the quota share[4] contract is in accordance with the rules and practices of Lloyd's, any sum paid in the relevant period is an allowable expense.

Enter in box 3L.66 amounts paid in 2000.

- Estate Protection Plan[5] premiums

box 3L.67 Enter in box 3L.67 amounts paid in 2000. EPP premiums paid are shown on your CTA 2(2000).

- Interest on loans to fund underwriting

box 3L.68 If you have taken out loans to fund underwriting losses, Lloyd's deposits and reserves, stop loss premiums or other Lloyd's personal expenses, any interest arising on the loans will in general be an allowable expense so long as you receive taxable income from membership of Lloyd's. The same is true for interest on loans used to meet Finality bills.

Enter in box 3L.68 the amounts paid in 2000.

If you have an interest certificate from the lender for interest paid on loans to fund underwriting losses etc., please retain it in case it is asked for at a later date.

Interest on **unfunded** losses that is recharged to you by syndicate managing agents is allowed as a deduction from syndicate results and should not be shown on these pages.

- Net transfer to SRF

box 3L.68A Enter in box 3L.68A net transfers to a SRF, as shown on your CTA 1(1997). Enter in box 3L.58C net withdrawals from a SRF.

- Members' agent profit commission and salaries

box 3L.69 Members' agents profit commissions and salaries are charged and paid at the distribution date following the close of an account. For instance any profit commission for the 1997 account as shown on your CTA 2(2000) will have been paid in June 2000 and should be entered at box 3L.69 as an allowable deduction against 2000-2001 Lloyd's profits.

Managing agents' salaries relating to an account are dealt with as part of the syndicate results so should not be entered separately on this Return.

- Accountancy fees

box 3L.70 Any fee paid for work done in relation to working out your taxable Lloyd's profits is an allowable deduction but any fee for other work, such as Inheritance Tax planning or in relation to other business interests, cannot be claimed as a deduction from your Lloyd's profits.

Enter in box 3L.70 amounts paid in 2000, irrespective of the year of Account to which the fees relate.

- Other Lloyd's expenses

box 3L.71 Enter here the total of any additional items of personal non-syndicate expenses not claimed in boxes 3L.61 to 3L.70. Describe the amounts claimed in the 'Additional information' box on Page LU4.

'Exempt amounts'

This applies **only** to not ordinarily resident, non-UK domiciled Names. For these Names, gains and losses on certain types of gilts (FOTRAs) held in syndicate premiums trust funds are not within the charge to UK tax. The gains or losses are shown on the CTA 1(1997) as 'income exempt to non-UK resident/non-UK domicile'. Positive amounts are allowed as deductions and should be entered in box 3L.71 as 'other expenses'. Negative amounts should be added to profits for the year by including them in box 3L.58. Also include details in the 'Additional information' box on Page LU4.

- Total Lloyd's outgoings

box 3L.72 Enter the total of boxes 3L.61 to 3L.71 in box 3L.72.

Lloyd's foreign tax

This section brings together all the foreign tax details to work out your pool of Lloyd's foreign tax for 2000-2001. For Lloyd's foreign tax, a pooling system operates whereby profits from membership of Lloyd's is regarded as a single item of foreign income and all foreign tax paid on that income is treated as foreign tax on that single item of foreign income.

[4] A quota share contract is where you make arrangements for another person to take over some or all of your rights or liabilities for any syndicate of which you are a member. This contract may be part of a scheme to convert from underwriting as an individual to participating by way of owning shares in a corporate Name - in which case the Conversion Prospectus should show you any amounts that are payable under a quota share contract as part of the scheme.

[5] Estate Protection Plans are a special kind of insurance which aims to provide immediate unlimited cover against underwriting losses arising after death, to enable the Lloyd's deposit to be released at an early date and allow the estate to be distributed on the basis that no further underwriting cash calls would need to be met. For tax purposes, Estate Protection Plans fall within the general rules for stop loss policies and any premiums are allowed as deductions by reference to the year in which they are paid, rather than the year which the Plan protects.

- Foreign tax on personal fund income

box 3L.73 Copy the total amount (if any) of foreign tax on personal fund income from box 3L.52.

- US federal income tax

box 3L.74 Enter the total amount of US federal tax shown in sterling on your CTA 1(1997).

- Canadian federal income tax

box 3L.75 Enter the total amount of Canadian federal tax shown in sterling on your CTA 1(1997). For Names with no 1997 account participations, details will be reflected on the CTA 2 (1999).

- Syndicate foreign tax

box 3L.76 Copy the amount of syndicate foreign tax from box 3L.58B.

- Additional payments of foreign tax

box 3L.77 In some circumstances, there may have been additional payments of foreign tax that relate to an earlier tax year, for instance, tax arising from any audit adjustments to an earlier years overseas return of Lloyd's profits. Enter in box 3L.77 any such amounts paid in 2000.

- Refunds of foreign tax for which tax credit relief was given

box 3L.79 You may have received refunds of foreign tax in 2000: for instance, from the carry back in the US of losses against profits of earlier years (Net Operating Losses or NOLs) which are shown on your CTA 1(1997). The treatment of these foreign tax refunds depends on how relief was originally given for the foreign tax now being refunded. For Names with no 1997 account participations, details will be reflected on the CTA 2.

Tax credit relief

For refunds of foreign tax where relief was given against UK tax on earlier years Lloyd's profits, the refund is treated as additional tax chargeable on Lloyd's profits of the tax year corresponding to the calendar year of receipt. Enter any amounts received in 2000 in box 3L.79. The exchange rate to use is the same rate that was used to calculate the amount of tax credit relief given for the foreign tax in the earlier year, which may differ from the sterling amount actually received in the later year. Where the refunds are of US tax, the amount is shown in sterling at the correct exchange rate on the CTA 1(1997).

Relief by deduction

Where relief was originally given by deduction from Lloyd's profits or losses, any refunds are added to the Lloyd's income of the year of receipt. Enter at box 3L.58E any such refunds received in 2000. No entry is needed in box 3L.79.

Relief against UK tax on Lloyd's profits

For Lloyd's foreign tax, a pooling system operates whereby profits from membership of Lloyd's is regarded as a single item of foreign income and all foreign tax paid on that income is treated as foreign tax on that single item of foreign income.

UK and other EU/EEA resident underwriters: if your net result is a loss, foreign tax paid should be claimed as a deduction.

If the net result for a year is a profit and the amount of tax on your Lloyd's results for that year exceeds the amount of foreign tax you have paid, you may choose **either:**

- to claim relief by deduction for the foreign tax paid, **or**
- to claim tax credit relief for the foreign tax paid on your Lloyd's income

(but **not** part by deduction and part by tax credit relief).

If the net result for a year is a profit **but** the amount of tax on your Lloyd's results for that year is less than the amount of foreign tax you have paid, foreign tax paid may be deducted or you may claim tax credit relief but not part by deduction and part by relief. If you choose to claim tax credit relief, to the extent the foreign tax exceeds the UK tax on your Lloyd's income, any relief for foreign tax will be lost.

Underwriters resident outside the EU/EEA: you may claim relief for foreign tax only by deduction from your Lloyd's trading result (as explained below) unless you are a resident of the Isle of Man and the Channel Islands.

For residents of the Isle of Man and the Channel Islands, there are special rules allowing tax credit relief to be claimed against UK tax in much the same way as for UK residents. Please contact FICO (International) at Bootle for assistance.

Relief by deduction

Where relief for foreign tax is claimed by deduction, the amount of foreign tax paid on Lloyd's income is claimed as a deduction either to reduce the profits from the same source, or to increase the Lloyd's losses. If foreign tax paid is to be deducted follow the instructions below.

Relief against UK tax on Lloyd's profits

UK and other EU/EAA resident underwriters: where you have a choice over claiming relief, you may find it helpful first of all to work out how much UK tax you would have available for tax credit relief. Use the figures of profits after losses brought forward, box 3L.91; you do not need to apportion between foreign and UK profits. The amount of foreign tax to include is the total foreign tax box 3L.78, with no apportionment between syndicate foreign tax and foreign tax on personal fund income. Then follow the instructions for the Working Sheet in the Notes to the Foreign Pages available from the Orderline; LUU can help you complete them.

Where relief for foreign tax is claimed as tax credit relief, once you have entered the totals in boxes 3L.40 to 3L.51, enter '0' in boxes 3L.83 and 3L.90 and complete the Foreign Pages (available from the Orderline). But the instructions on page FN12 of the Notes to the Foreign Pages for completing Columns A, D and E at the top of Page F3 do not apply to claiming tax credit relief for the foreign tax paid on your Lloyd's profits. See the paragraph on 'Foreign tax' on page LUN11 in the 'Other information' section for instructions for completing the Foreign Pages.

Summary of net trading profits/allowable losses

If the figure in box 3L.72 exceeds the figure in box 3L.60 enter the difference in box 3L.82 and '0' in box 3L.88 in the column headed 'Profit' and ignore the rest of the right hand column.

If the figure in box 3L.72 is less than the figure in box 3L.60 enter the difference in box 3L.88 in the column headed 'Profit' and '0' in box 3L.82 and ignore the rest of the left hand column.

If you have made a loss for 2000-2001, you may be able to claim tax relief for it. Please see the section on 'Losses' in 'Other Information'. **Do not** use *Help Sheet IR227: Losses.*

Time limits Some claims for relief for 2000-2001 losses have to be made by **31 January 2003**. You should ensure that your claim is made within the time limit prescribed. Late claims cannot normally be accepted.

2000-2001 Loss

boxes 3L.82 to 3L.87 If your total Lloyd's outgoings exceed total incomings, subtract the figure in box 3L.60 from the figure in box 3L.72 and put the result in box 3L.82. Leave boxes 3L.88 to 3L.91 blank.

(If incomings exceed outgoings ignore boxes 3L.82 to 3L.87.)

Add the figures in boxes 3L.82 and 3L.83 and put the result in box 3L.84. This is your total loss relating to the 2000-2001 tax year.

If you wish to claim relief by offsetting your loss against other income of this year, put the amount of the loss you want to claim in box 3L.85. This will be the whole or part of the figure in box 3L.84.

If you want to offset this loss against income of an earlier year enter the amount of the loss in box 3L.86. If you have already claimed to offset this loss you should still include it in box 3L.86, and provide details in the 'Additional information' box on Page LU4.

If you wish to claim relief for your loss by carry forward against future profits fill in box 3L.87.

2000-2001 Profit

boxes 3L.88 to 3L.91 If your total Lloyd's incomings exceed total outgoings fill in boxes 3L.88 to 3L.91. Leave boxes 3L.82 to 3L.87 blank.

You may deduct from this amount of profit any losses sustained in the same business for 1999-2000 or earlier years which you claimed to carry forward against later profits. The maximum amount you can enter in box 3L.89 is the figure in box 3L.88.

Subtract the figure in box 3L.72 from the figure in box 3L.60 and put the result in box 3L.88.

If you have paid foreign tax and want to claim this as a deduction against your profits (rather than claim tax credit relief) enter in box 3L.90 the total from box 3L.78.

Subtract the total of boxes 3L.89 and 3L.90 from box 3L.88. Put the result in box 3L.91.

Chargeable gains

Chargeable gains that arise on disposal of assets that were part of your funds at Lloyd's are not included in your Lloyd's trading results. For disposals in 2000-2001, any capital gains arising on disposal of assets from personal funds at Lloyd's should be entered in the Capital Gains Pages.

Syndicate capacity

If, in the year ended 5 April 2001, you have

- sold syndicate capacity in capacity auctions, **or**
- entered into a bilateral arrangement to sell or transfer capacity, **or**
- transferred capacity to a MAPA operator, corporate member or a Scottish Limited Partnership member of Lloyd's,

you will need to enter details on the Capital Gains Pages. For information about calculating gains on those disposals, please see the section headed 'Capital Gains Tax' on page LUN13.

National Insurance contributions

Self-employed people are generally liable for the flat-rate Class 2 contributions and may be liable to pay the profit-related Class 4 contributions (see the section on Class 4 contributions). Class 2 contributions give entitlement to certain contributory benefits including retirement pension, maternity allowance and incapacity benefit. Benefit may be lost if Class 2 contributions are not paid or are paid late. If you have not already registered as self-employed for National Insurance contributions you can obtain more information about paying by ringing the NICO Contact Centre on 0845 9154655, or by writing to the Inland Revenue National Insurance Contributions Office at:

NICO Contact Centre,
Customer Account Section,
Longbenton,
NE98 1ZZ.

Please have your National Insurance number available when ringing the Contact Centre and include it in any correspondence with NICO Contact Centre.

Read the notes below for guidance on Class 4 National Insurance contributions.

Class 4 National Insurance contributions

Class 4 National Insurance contributions must be paid by all Names on income from membership of Lloyd's, unless you are excepted.

External Names - chargeability to Class 4 NIC

For external (or non-working) Names, the Department of Social Security view is that Lloyd's profits are and always have been chargeable to Class 4 NIC. This was a change of view and was announced to take effect for 1997-1998 and subsequent years. In general, no action will be taken to recover NIC for years not assessed prior to the announcement of this change (that is, 1996-1997 and earlier).

The contributions are a percentage of taxable profits for the tax year between lower (£4,385) and upper (£27,820) profit limits.

You are excepted from paying Class 4 contributions if you are:

- a man aged 65 or over or a woman aged 60 or over at 6 April 2000, (this includes a person whose birthday fell on 6 April 2000), **or**
- not resident in the UK for tax purposes during the tax year (contact Leeds Underwriters Unit or your tax adviser if you do not know whether this applies to you).

Sometimes, where both Class 1 and Class 4 contributions could be due, Class 4 contributions may not be payable. In such circumstances the Inland Revenue National Insurance Contributions Office may agree that your Class 4 contributions may be 'deferred' until such time as your overall contributions can be determined. Only the Inland Revenue National Insurance Contributions Office can agree to deferment and the Inland Revenue National Insurance Contributions Office leaflet CA72 gives further details.

If you are excepted from Class 4 NIC or the Inland Revenue National Insurance Contributions Office has agreed to defer contributions:

- tick box 3L.92
- leave boxes 3L.93 and 3L.94 blank
- explain in the 'Additional information' box on Page LU4 that you are excepted or deferred, and give the reason.

If you have no other business apart from membership of Lloyd's use the Working Sheet on page LUN10 to arrive at figures to go in boxes 3L.93 and 3L.94.

Working Sheet for NICs (no other business apart from membership of Lloyd's)

Taxable profit for 2000-2001	A	from box 3L.91 £
Adjustments to profits chargeable to NICs (see notes below on trading losses) *Copy to box 3L.93*	B	£
Profit for National Insurance contributions	C	box A *minus* box B £
Exempt threshold	D	£ 4,385
Amount chargeable (Maximum £23,435 in box E)	E	box C *minus* box D £
Class 4 NIC due (Maximum £1,640 in box F) *Copy the figure to box 3L.94*	F	box E x 7% £

If you do not want to calculate your tax, you do not have to complete box F or copy the figure to box 3L.94.

Trading losses brought forward

Working Names For working Names, Lloyd's losses from 1999-2000 and earlier years, which have not yet been set against profits chargeable to Class 4 NIC, must be brought forward and set against the Class 4 profits for 2000-2001. This is because losses which are allowable for tax are also treated as losses arising for the purposes of Class 4 NIC. They are allowed for Class 4 in the same ways as losses are allowed for tax.

External Names Lloyd's losses from 1999-2000 and earlier years must be brought forward and set against the Class 4 profits for 2000-2001, even though Class 4 NIC was collected for the first time on Lloyd's profits of 1997-1998.

If you have another business apart from membership of Lloyd's: do not use the Working Sheet. Instead, ask the Orderline for *Help Sheet IR220: More than one business*, but enter the figure in box 3L.91 in place of box 3.92 in boxes D, E and F. The note above on trading losses brought forward also applies to deductions in boxes G, H and I. Since interest incurred for the purposes of Lloyd's business is deducted in arriving at trading profits no separate claims against Class 4 NIC profits are possible.

Other Information

■ *Personal pension relief (PPR) and retirement annuity relief (RAR)*

Help Sheet IR330: Pension payments, available from the Orderline, contains most of the information you will need to complete Question 14 of your Tax Return, but there are a few points specific to Lloyd's that are covered below.

● Carry back of pension payments

Time limits for making elections

For payments made in 2000-2001, elections to carry back pension payments to the previous year must be made by 31 January 2002. There are no extensions to this time limit for members of Lloyd's.

For pension contributions made in 1998-1999 and onwards, the election that members of Lloyd's used to be able to make, to carry back contributions for two additional years, is no longer available.

● Earned income

Relief for pension contributions is based on the total of your earned income for the year less certain deductions. If you are a working Name, your Lloyd's income has always been treated as earned and the consequences of the changes that took effect from 6 April 1994, explained below, do not affect you.

● Non-working Names: 6 April 1994 and after

Up to 5 April 1994, your Lloyd's income was regarded as unearned and was not used to work out your net relevant earnings on which relief for pension contributions is based.

From 6 April 1994 (1994-1995 and onwards) your Lloyd's income is treated as earned and your Lloyd's profits or losses are taken into account in working out your net relevant earnings for pension purposes.

Relevant earnings

The starting point for net relevant earnings is to add together all your earned income for the year (your relevant earnings). For each source of earned income, you include the taxable amount. Where it is trading income (such as from membership of Lloyd's) the taxable amount is the profit for the year less any losses from that trade brought forward from previous years. For instance, this will be the figure in box 3L.91 for Lloyd's profits of 2000-2001.

Lloyd's profits for 2000-2001 are reduced in this way even though the losses brought forward may include losses that arose for years when your Lloyd's income was unearned.

Net relevant earnings

From the total of your earned income for the year, certain deductions are made to arrive at net relevant earnings. One of these deductions is for trading losses of the same year, but only if profits from that trade for that year would have been regarded as earned income. This means that for 1994-1995 and after, you do deduct Lloyd's losses of the year from other earned income of the same year to arrive at net relevant earnings for that year (unlike 1993-1994 and before where you would not deduct Lloyd's losses in working out net relevant earnings).

■ *Personal Stop Loss (PSL)*

● Stop loss insurance

Stop Loss is a type of insurance which provides cover if you make a loss of more than a specified amount in an underwriting year. If you make a loss on your syndicate results, a stop loss policy will pay over to you a certain portion of that loss, called a recovery. Recoveries are included in the Lloyd's taxable results in the year the loss arose for tax purposes.

Premiums paid for these policies are allowed as deductions by reference to the calendar year in which they are paid, regardless of the account or accounts covered by the policy for which the premium is paid.

● Stop loss recoveries

Unlike other non-syndicate income, personal stop loss recoveries are in general included as income of the tax year in which the loss that triggered the recovery arises for tax purposes: for instance, a stop loss recovery in respect of an 1997 account loss is taxable 2000-2001 even though you may not receive it until 2001.

• Late notifed stop loss recoveries

The exception to the general rule is where a recovery becomes payable for the loss of an earlier account and for some reason (other than fraud or neglect), you have not told your Inland Revenue office about it in time to include it in an assessment for the year of loss. In these circumstances, the recovery is assessable in the tax year corresponding with the calendar year it was received. This will apply if you have received any stop loss recoveries for account 1993 and run-offs to 31 December 1995 or prior years and have not yet notified LUU that you are due recoveries for them.

• Stop loss repayments

If following the recovery, you are compensated in some other way for the loss (for instance, by an award of damages), a stop loss policy requires you to pay back some or all of the recovery. Any repayments made directly to a stop loss insurer are treated in the same way as premiums; a deduction is allowed for the year of payment. There is no adjustment made to the assessment for the year the recovery that is being repaid was assessed.

Other stop loss repayments

Some types of policy covered a number of years' losses and required the insured to repay the stop loss insurer any profits made in the two accounts after the term of the policy. Like repayments of recoveries, these payments are allowed as deductions of the tax years corresponding to the calendar year in which the payment is made, and not as deductions from the years' syndicate profits. For example, a Name has a policy covering accounts 1994 and 1995 and receives recoveries in respect of losses for both these years. Account 1996 is a profit, declared in June 1999 and the full amount of the profit is, under the terms of the policy, paid over to the stop loss insurer in January 2000. The recoveries under the policy are assessable in 1997-1998 and 1998-1999 (the years the losses arise for tax purposes), the 1996 account profit is assessable in full in 1999-2000 and the repayment to the stop loss insurer is allowed as a deduction in 2000-2001.

• Failed stop loss insurers

Should a PSL insurer be unable to meet in full claims under policies, any sum not recoverable is treated for tax purposes as a bad or doubtful debt. Once you can establish that the recovery is unlikely to be paid in full, you need to make an estimate of the amount that is in doubt. For example, a PSL underwriter goes into liquidation. The liquidator issues a statement on 10 April 2000 which shows that only 40% of claims are likely to be paid. The amount you can claim as a deduction will be 60% of the amount still to be paid out under your PSL policy. The deduction is given for the year in which you can establish the debt will not be paid in full, in this case 2000-2001. In common with bad debt relief for traders in general, the adjustment is made in the year the debt is established as doubtful, and not by adjusting the taxable profit or loss for the year the amount recoverable was taxed.

Doubtful recoveries from stop loss insurers NOT party to the Settlement

For PSL insurers that are not party to the Settlement, you can claim bad debt relief. For any amounts of stop loss recoveries that you establish as doubtful in 2000, please include any claims in 'Other Lloyd's expenses' at box 3L.71. In all cases, describe the amounts claimed, in the 'Additional information' box on Page LU4.

Subsequent changes in value of expected recovery

If in a later year the amount you expect to recover from your PSL insurer decreases, you can make a further claim to bad debt relief for the reduction in the amount you expect to receive. Similarly, if the amount increases, or you receive more than the amount you expected to receive, the increase or the difference between the amount claimed as a bad debt relief and the amount received should be shown as an addition to profits in that year.

■ *Foreign tax*

Foreign tax is paid in connection with your Lloyd's results in three ways.

1. First, if any of your personal funds are invested abroad, foreign tax may be withheld when the interest, distribution etc. is paid over to you - the sum asked for in box 3L.52.
2. In some dozen or so countries, tax is levied by the overseas tax authority by reference to the profits of syndicate business written by agents operating in those countries. Lloyd's meets these tax bills centrally and syndicate results are reported to Names net of this overseas tax. Because the syndicate results are reported to you net of overseas tax, it is necessary as a first step to add that overseas tax back to your syndicate results to work out the full measure of profits. This is done at boxes 3L.58B for syndicate results for account 1997 and run-offs to 31 December 1999.
3. Thirdly, returns are made to the US and Canadian tax authorities of each Name's Lloyd's business in those two countries and federal income tax is levied on the reported profits. Lloyd's deals with the returns and liabilities centrally and reports to Names annually the amount of US and Canadian taxes paid (or repaid) on their behalf. The amount to enter at boxes 3L.74 and 3L.75 is the US and Canadian federal tax paid shown on your CTA 1(1997).

Where foreign tax has been suffered on income that is also liable to UK tax, relief for the foreign tax can be allowed either by giving credit for the amount of foreign tax paid against UK tax on the same income (for UK and EU/EEA residents where there is sufficient UK tax due on the income) or where there is not enough UK tax due (or if the Name so chooses), relief can be given as a deduction in arriving at the net profit or loss.

Foreign Pages: 2000-2001

The instructions on page FN12 of the Notes to Foreign Pages for completing Columns A, D and E at the top of Page F3 do not apply to claiming tax credit relief for the foreign tax paid on your Lloyd's profits. This is because of the pooling basis that applies for Lloyd's foreign tax, which means that it is not necessary to identify separately the country in which the foreign tax is paid or branch profits in each country. Follow the instructions below instead.

Column A

Enter 'Lloyd's' instead of the name of the foreign country where the income arose.

Column D

Enter the total amount in sterling of foreign tax paid on your Lloyd's income (box 3L.78). Use the exchange rate prevailing at the date you received the income to translate the foreign tax to sterling.

Column E

Enter the total profits from membership of Lloyd's (box 3L.91).

If you are calculating your tax credit relief on your income, include the total foreign tax in box 6.9 then follow the instruction at Part 2 on page FN14, bearing in mind that for tax credit relief purposes, your total profit from Lloyd's (box 3L.91) is regarded as one item of income and foreign tax paid on Lloyd's income is regarded as foreign tax on that item of income.

● Refunds of US tax

Under US tax rules, trading losses can be taken back and offset against the profits of the three preceding years. To the extent that US tax has been paid on these earlier years' profits, carrying the losses back will generate a repayment of US tax which Lloyd's reports to you on the relevant MSU Taxation Advice. For refunds shown on your CTA 1(1997), how you report them on this year's Tax Return depends on how relief was given for the US tax when it was originally paid.

Tax credit relief

For refunds of foreign tax where relief was given against UK tax on earlier years Lloyd's profits, the refund is treated as additional tax chargeable on Lloyd's profits of the tax year corresponding to the calendar year of receipt. The exchange rate to use is the same rate that was used to calculate the amount of tax credit relief given for the foreign tax in the earlier year, which may differ from the sterling amount actually received in the later year.

Relief by deduction

Where relief was originally given by deduction from Lloyd's profits or losses, any refunds are added to the Lloyd's income of the year of receipt.

Final year of assessment 2000-2001: payments and refunds made after 31 December 2000

Payments of foreign tax are included in the Lloyd's foreign tax pool for 2000-2001 (the final year), and relieved in the same way as the rest of that year's pool.

Refunds of foreign tax received after 31 December 2000 are treated as refunds received in the final year, 2000-2001 and added to the taxable profits of the final year, or to the tax chargeable on those profits, depending on how relief was originally given for the tax now being refunded.

■ *Special Reserve Funds (SRF)*

These funds can be set up by Names under Section 175 FA 1993. Personal representatives of deceased members may not set up Special Reserve Funds.

If you have a SRF, you may transfer up to half the aggregate of your commercial (not your tax adjusted) syndicate profits for any account into your fund. If the aggregate syndicate result is a loss, you must withdraw sufficient from the fund to meet the loss.

When the value of assets in the fund exceeds 50% of the higher of:

- your overall premium limit, **or,**
- **if higher** your overall premium limit for the previous year

any balance is returned to you as taxable income. Transfers to and withdrawals from the fund also happen when there are cash calls, stop loss recoveries and on cessation.

If you have such a fund you will need to complete the entries in the Lloyd's Pages for transfers into and withdrawals from the fund. Lloyd's MSU reports the net transfer to your fund for each tax year on the relevant Taxation Advice.

Net withdrawals from a SRF should be shown in box 3L.58C, and net transfers to such a fund in box 3L.68A.

Time limits Transfers from account 1997 profits to a SRF must be made on or before the date the profits were paid over to you and transfers must in all cases be completed by 31 October 2000.

● Releases from SRF on cessation

For Names who have ceased, the balance of the fund is taxed as trading income of the final year that Lloyd's results are assessable on the Name personally. For surviving Names, this will be the final year of assessment of the trade, but may be different for deceased Names - full details are given in the Notes on Lloyd's Underwriters for the Trust and Estate Tax Return.

The amount to enter in box 3L.58C should be calculated as follows:

- the value of the fund at 31 December valuation date before release
- **plus** any sums which were transferred into the SRF between 31 December and the date when it was returned to you
- **plus** any investment income arising in the period between that valuation date and the release
- **plus** any gains (or minus any losses) realised on the sale of assets (such as shares) which were sold within the SRF during the period between that valuation date and the release.

If any sums that were released from the SRF before the final valuation date, and have not been charged to tax, then these sums should also be added. This may apply, for example, if the SRF was released in more than one instalment. Lloyd's will be able to supply the information to complete this box, and Leeds Underwriters Unit will be able to help with queries.

■ *Losses*

Please note that the rules for claiming relief for losses arising from membership of Lloyd's are in some ways different from loss relief for trades in general and the information given in *Help Sheet IR227: Losses* on claiming relief for trading losses to reduce your taxable profits in earlier years or following cessation does not apply to losses from membership of Lloyd's.

Time limits Remember to make your claims within the time limits shown below for losses in early years of trade and terminal loss relief and in *Help Sheet IR227* for other loss relief claims. For 1999-2000 and onwards, there are NO extensions to time limits for members of Lloyd's. Late claims cannot normally be accepted.

Losses in early years of trade

There are special reliefs for losses that arise in the first four years of a business. The general rule is that the losses arising in the tax year in which the business commences and the three succeeding tax years are available for relief. Because of the corresponding year concept that applies to taxing income from membership of Lloyd's, the first year of assessment of your Lloyd's trade is the tax year corresponding with the underwriting year in which you first participated on syndicates.

For instance, if you commenced underwriting 1 January 1997, your first year of assessment is 1997-98, and these 'early years of trade' loss relief provisions can apply to losses for 1997-98 and 1998-99 (non-syndicate income and expenditure of year ended 31 December 1997, and 1998 respectively) and 1999-2000 and 2000-2001 (account 1996 and 1997 results and non-syndicate income and expenses of the years to 31 December 1999 and 2000). The loss for any of these years can be carried back for relief against other income of the three years of assessment running up to the year of loss, taking income of an earlier year before income of a later year.

Time limit The time limit for making claims for this relief for losses arising in 1997-98 expired 31 January 2000 and for losses arising in 1998-99, 31 January 2001. You have until 31 January 2002 to claim relief for losses arising in 1999-2000 and 31 January 2003 for losses of 2000-2001.

For losses arising in 2000-2001, you can claim loss relief by filling in the appropriate boxes on your Tax Return. For deductions from income of this year, use box 3L.85. If you are claiming any deduction from capital gains for 2000-2001 complete box 8.5 on the Capital Gains Pages.

If you are claiming a deduction from income or capital gains for earlier years, complete box 3L.86 on the Lloyd's Pages.

If you are carrying the loss forward against future profits from membership of Lloyd's, complete box 3L.87 on the Lloyd's Pages.

• Cessation

The basic rule is that the final year of assessment for profits from membership of Lloyd's is the tax year corresponding with the calendar year in which your deposit is repaid, but please see the following section for further information on cessation for deceased Names.

If, for whatever reason, you do not have a deposit to be repaid, Regulations provide that the final year of assessment is the tax year corresponding with the final calendar year in which you had syndicate results declared. The date of resignation is not relevant in determining cessation for tax purposes.

• Loss reliefs on cessation

Terminal loss relief

Terminal loss relief is an alternative to the ordinary ways in which losses can be relieved but you must make sure that you do not claim the same loss twice. If you have already claimed some part of the terminal loss already, then you must reduce the terminal loss by the amount of relief you have already claimed.

For ceasing members of Lloyd's, the loss available for terminal loss relief is the loss of the last tax year for which there were syndicate results included in the computation. If your final syndicate results were declared in 2000 (account 1997 and/or run-offs to 31 December 1999), the loss of 2000-2001 is used for terminal loss relief purposes.

Your terminal loss must be set against any profits (after deducting losses brought forward) from membership of Lloyd's taxed in the previous year of assessment - in the above example 1999-2000. Once these have been reduced to nil, any balance of the terminal loss must be set against profits taxed in the preceding year, 1998-1999. Finally, if there is still a balance, this must be set against the Lloyd's profits taxed in 1997-1998.

Because of the special way in which this relief works for Names, the terminal loss in some circumstances may not be the loss of the final year of assessment. For example, the final syndicate results are declared in 1999 but the deposit is released in January 2000 - the loss for terminal loss relief purposes is that of 1999-2000 but the final year of assessment will be 2000-2001.

You do not need to wait to claim terminal loss relief until you are ready to send your completed Tax Return. You can claim relief as soon as you know how big the loss is, normally once you have the tax adjusted results for 2000-2001 sent to you by Lloyd's MSU on CTA 1(1997). You may write a letter stating that you wish to claim terminal loss relief showing the date of cessation of trade (which for terminal loss relief purposes for members of Lloyd's is 5 April of the tax year in which the final open syndicate results are assessed - in the example quoted above, 5 April 2001) and details of how much the loss is.

Relief for members who have been underwriting since before 1972

For Names who have been underwriting members of Lloyd's for the 1971 account or earlier and have underwritten continuously since then, special relief at cessation of underwriting is available to compensate for any double counting of profits that may have arisen from the change in basis of assessing profits from membership of Lloyd's brought in for 1972-1973 and subsequent years. LUU have maintained records of the amount of relief that may be available under this provision so please contact LUU for advice should you be in this position.

■ *Death*

The Tax Return to be filled in by personal representatives of deceased Names depends on the date the Name died. For deaths:

- on 5 April 1994 or earlier, LUU will send a special form for returning details of any Lloyd's related income and expenses that may arise to the estate in 2000
- between 6 April 1994 and 31 December 1995, complete the Lloyd's Sweep Up Return
- on or after 1 January 1996 complete Lloyd's Underwriters Pages (SA103L) for each of the calendar years up to and including that ending on 31 December preceding the date of death.

For calendar years commencing with 1 January of the year in which death occurred, complete the Lloyd's Underwriters Pages of the Trust and Estate Tax Return (SA901L). Full details of the rules for cessation, final year of assessment etc. are explained in the Lloyd's Notes for the Trust and Estate Tax Return. Please contact LUU if you need help in determining what is the final year.

■ *Central Fund*

In the past, Lloyd's Central Fund was treated like a trade protection association (TPA) for tax purposes. Names were taxed on drawdowns (payments to them from Central Fund) and were allowed a deduction for repayments they made to Central Fund.

You could however have chosen not to be taxed under the TPA type arrangements outlined above: in this case, there was no tax charge on the drawdowns and there is no deduction for the repayments to Central Fund (including Settlement Credits used to repay Central Fund indebtedness), unless the drawdowns being repaid had, under the TPA arrangements, previously been included in your Lloyd's trading profits.

If you have made any repayments to Central Fund in 2000 and the drawdowns which are being repaid were included in your Lloyd's trading profit or loss for any year up to and including 1999-2000, you should include the amount as a deduction in box 3L.71 (Other Lloyd's Expenses) and describe the amounts claimed in the 'Additional information' box on Page LU4.

Income Support Schemes

Names who have received payments under this scheme in 2000 should return the relevant amounts in boxes 13.1, 13.2 and 13.3 on page 4 of the Tax Return. They are annual payments and do not form part of Lloyd's trading income. As such the income is not available for relief by the unused underwriting losses brought forward from earlier years.

■ *Capital Gains Tax*

Gains arising on disposal of assets held as part of your personal funds at Lloyd's should be included on the Capital Gains Pages of the 2000-2001 Tax Return, following the general guidance notes that go with those Pages.

Syndicate Capacity

Gains arising on disposals of syndicate capacity should also be included on the Capital Gains Pages.

Sale at auction and bilateral arrangements
Where you have sold syndicate capacity in the 2000 capacity auctions or entered into bilateral arrangements to sell capacity in the year ended 5 April 2001, the disposal proceeds are the proceeds at auction or under the agreement. Auction fees are allowable as incidental costs of disposal. Your members' agent will supply you with details of the sale proceeds and relevant costs. Note that capacity in each syndicate is a separate asset for Capital Gains Tax purposes.

Pre 1996 capacity
Where you have been underwriting on the same syndicate since before the 1996 account, the cost of your capacity will be nil, because until capacity auctions were introduced in 1995, there was no charge to begin underwriting on a syndicate.

Entrance or Admission Fee
This fee, which has varied between £500 and £3,000, is payable on joining Lloyd's. It is not allowed as a deduction from trading profits but can be deducted from gains on disposal of syndicate capacity, as an incidental cost of disposal in the year the Name resigns their membership of Lloyd's. As with all incidental costs of disposal, indexation will not be due.

Syndicate mergers
Where syndicates merge and you exchange this year's capacity in one syndicate for capacity for the following year in a syndicate with a different number, provided no cash changes hands, this is not regarded as a chargeable occasion for Capital Gains Tax purposes. When you sell capacity in the new, merged, syndicate, the cost of acquisition is the cost to you of capacity in your original, pre-merger syndicate.

MAPAs/Joining a MAPA /Cash distributions from MAPA operators/Leaving a MAPA
The Capital Gains Tax rules for MAPA members changed with effect from 6 April 1999. From that date, all syndicate capacity held by an individual member through a MAPA is treated as if it were a single asset. Any capacity held through one MAPA is treated separately from capacity held through another MAPA, or capacity held directly. The details of the new rules were set out in a Lloyd's Market Bulletin dated 6 September 1999. Copies are available from Lloyd's tax department or from Leeds Underwriters Unit.

If you receive a cash distribution from your MAPA operator, that is a disposal or part disposal of the capacity held through the MAPA and should be reported on the Capital Gains Pages.

If you transfer syndicate capacity into or out of a MAPA, that is also a Capital Gains Tax disposal, and should be reported on the Capital Gains Pages.

Conversion schemes
Where you have transferred capacity to a corporate member of Lloyd's as part of a scheme to convert to limited liability underwriting, the transfer is a disposal for Capital Gains Tax purposes. In most cases this will be a transfer between connected parties and you will need to use the market value of the capacity at the date of transfer. Roll-over relief is not available for conversions to corporate membership.

Where the transfer is to a Scottish Limited Partnership member of Lloyd's, the transfer is not generally regarded as a chargeable occasion - see Statement of Practice D12.

Reliefs

Roll-over relief allows gains on the disposal of qualifying business assets to be deferred if replacement assets are acquired. With effect from 6 April 1999, gains made on the disposal of syndicate capacity, whether held directly or through a MAPA, will be eligible for roll-over relief. Syndicate capacity also qualifies as a replacement asset if it is acquired on or after 6 April 1999.

The Lloyd's Market Bulletin dated 6 September 1999 explains roll-over relief on syndicate capacity. Copies are available from Lloyd's tax department or Leeds Underwriters Unit. If you want to claim this relief, please refer to page CGN17 of the Notes on Capital Gains and *Help Sheet IR290: Business asset roll-over relief.*

Retirement relief is available when Names sell all their capacity and effectively dispose of their business. Gains on stocks and shares are specifically excluded from retirement relief, so gains on disposal of the majority of ATF assets will not qualify for retirement relief.

Taper

General
Guidance notes on taper relief, including both business assets and non-business assets, are included with the Notes to the Capital Gains Pages and *Help Sheet IR279: Taper relief.*

Ancillary trust fund assets
Where assets are used to support underwriting as part of a Name's ancillary trust fund, that use is ignored in deciding whether the asset is in use for business or non-business purposes. This means that unless the asset is also used for some other, non Lloyd's business purpose, any gain on disposal will qualify for taper relief as a non-business asset.

Syndicate capacity
Syndicate capacity whether held directly or through a MAPA is a business asset for the purposes of taper. Under the special provisions for assets held at 17 March 1998 and still owned at 6 April 1998, any gains on disposals of syndicate capacity in the year to 5 April 2001 will qualify for four year's taper relief as a business asset.